

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Products Price Changes
Rates of General Applicability

Docket No. CP2012-2

COMMENTS OF THE PUBLIC REPRESENTATIVE

(December 9, 2011)

On November 22, 2011, the Postal Service filed a notice of proposed changes in rates of general applicability for competitive products and related mail classification changes.¹ The Postal Service filed its Notice pursuant to 39 CFR part 3015. Included with the Notice is a Governors' Decision that establishes the changes, provides a statement of explanation and justification, and orders the changes into effect on January 22, 2012.² The Governors' Decision also states that the changes comport with section 3633(a) of title 39 and 39 CFR 3015.7(c).

On November 23, 2011, the Commission issued Order No. 997, designated the undersigned as Public Representative and established December 12, 2012 as the deadline for filing comments. In addition, pursuant to 39 CFR 3015.6, the Postal Service was directed to submit additional information to assist in the completion of the record. The Commission sought an explanation to support data filed in redacted and

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 11-8, November 22, 2011 (Notice).

² Decision of the Governors of the United States Postal Service on Changes in Rates and Classes of General Applicability for Competitive Products, Governors' Decision No. 11-8, October 18, 2011 (Governors' Decision No. 11-8).

unredacted tables, an explanation for methods used for forecasting data in tables used by the Postal Service, descriptions and further detail for products included in its Notice, and further information about Parcel Select's compliance with 39. U.S.C. 3633(a). The Commission has requested similar information in each of the past four dockets involving changes in rates of general applicability for competitive products.

Answers to the Commission request for supplemental information were to be provided by December 5, 2011. The Postal Service provided responses to the Commission's request.³

I. PROPOSED RATE CHANGES

The Postal Service's proposal seeks changes in prices or classification structure for the majority of competitive products and services. Notice at 2-4. Table 1 lists the proposed price adjustments.

³ See Notice of the United States Postal Service of Filing Supplemental Information Under Seal in Response to Commission Order No. 997, December 5, 2011 (Supplemental Information).

Table 1: Competitive Product Price Adjustments

Competitive Product	Proposed Price Adjustment (%)
Express Mail	3.4*
Priority Mail	3.1
Parcel Select	8.5
Parcel Return Service	4.6
Commercial First-Class Package Service	3.7
Premium Forwarding Service	3.4
Address Enhancement Service	7.2*
Expedited Services	
Global Express Guaranteed	6.0
Express Mail International	11.6
Priority Mail International	8.7
International Priority Airmail	1.0
International Surface Airlift	13.7
Airmail M-Bags	3.5
International Ancillary Services	5.0

*Indicates price adjustments that were corrected by the Postal Service in its Supplemental Information filed in response to Order No. 997.

All of the price adjustments appear reasonable.

Additionally, the Postal Service proposes many product description changes to be incorporated into a draft of the Mail Classification Schedule (MCS) for competitive products addressed in the Notice. These changes include:

- The addition of Lightweight Parcel Select to the Parcel Select Product (formerly Market Dominant Standard Mail Parcels).
- A new Flat Rate Box for Express Mail (\$39.95).
- A new large-sized Priority Mail Regional Rate Box will be added to the two existing sizes.
- Priority Mail Commercial Plus cubic mailers' threshold will be reduced to 150,000 pieces (previously 250,000 pieces).

- Priority Mail Commercial Plus will add Open and Distribute pricing for certain trays and flat tubs.
- Parcel Select three-cent barcode discount is eliminated.
- Intelligent Mail Package Barcode (IMpb) will be added.
- 6,800 PO Box locations are added to Competitive PO Boxes product.
- Package Intercept Service will be introduced for \$10.95.
- GXG and EMI commercial base discount schedules are added to replace across the board discounts.
- Simplification of dimensional criteria for Priority Mail International (PMI) flat rate envelopes and boxes.
- Introduction of PMI Commercial Base and Commercial Plus discount schedules.

This list includes the classification changes listed by the Postal Service in its Notice and attached Governors' Decision. Section II of these Comments explain that there were classification changes that were not explicitly referenced by the Postal Service in its Notice or the attached Governors' Decision.

II. COMMENTS

In general, the proposed price adjustments will enhance all competitive products' cost coverages and meet the requirements of 39 U.S.C. 3633(a). However, there are three issues the Public Representative identifies with the Postal Service's Notice. First, the Postal Service has not filed sufficient supporting documentation with its Notice. Second, the Postal Service has not provided sufficient detail explaining its proposed classification changes. Third, and most important, based on the Postal Service forecasts, it is unclear if Parcel Select will be able to meet the requirements of 39 U.S.C. 3633(a)(2) in FY 2012.

A. The Postal Service's Notice lacks supporting documentation

In each of the competitive price adjustments the Commission has requested similar supporting documentation in its Initial Notice or Chairman's Information Request.⁴ Because of the limited review of competitive price adjustments, the requested information, such as price adjustment calculations, supporting forecast data, and expected cost coverages for international products should be included in the Postal Service's Initial Notice of competitive product price adjustments.

B. There are several instances where the Postal Service has not fully described classification changes and/or additions of new services

It is troubling that Part B of the Postal Service's Notice, which includes changes to the mail classification schedule, shows classification changes that are discussed nowhere else in the Postal Service's filing. It is also troubling that the Postal Service has failed to provide sufficient descriptions of new services to ensure transparency for the mailing community.⁵ The Postal Service should use its competitive product price adjustment notice to be transparent about its new service offerings and all competitive product classification changes.

Parcel Return Service. The Postal Service appears to be adding a Return Sectional Center Facility (RSCF) discount for Parcel Return Service. The Postal Service omitted this change from the summary included in the Governors' Decision.

In addition, the Postal Service has altered the Return Network Distribution Center (RNDC) rate structure. Previously, RNDC rates were based on zones. The MCS now indicates that the Postal Service is eliminating the zone component of RNDC pricing and relying on weight alone. The Postal Service should provide detailed information

⁴ See e.g. Docket No. CP2009-8 CHIR Nos.1 and 2; See also Docket No. CP2010-8 Order No. 333; See also Docket No. CP2011-26 Order No. 575.

⁵ See Comments of John Shirrell (December 8, 2011).

explaining the classification changes in Parcel Return Service to aid stakeholders in evaluating whether the changes meets the requirements of PAEA and the Commission's implementing regulations.

Parcel Intercept Service. The Postal Service has provided a minimal description of the new Parcel Intercept Service. Whenever new services are added, it is important for the Postal Service to provide a detailed description of the new service. In a Postal Bulletin released on November 22, 2011 the Postal Service states, "For \$10.95 plus Priority Mail postage, customers can request mail be intercepted before final delivery is attempted to the initial delivery address."⁶ However, nowhere in the Postal Service's Notice or MCS language does it indicate that mailers must pay \$10.95 *plus* applicable Priority Mail postage. If the information included in the November 22, 2011 Postal Bulletin is correct, the Postal Service should modify its MCS language to clarify the pricing of this service.

Priority Mail Open and Distribute. The Governor's Decision states "Open and Distribute pricing for specified trays and flat tubs will be introduced in January." Governor's Decision 11-8 at 3. The Postal Service provides no additional information about this new price category. The Postal Service should file more detailed information about the new service so the public and other stakeholders can provide more meaningful comments. For example, there are two dropship locations (DDU and Mail Processing Plant) and four types of trays/tubs offered with no description of how and why these price categories are beneficial to the mailing community. More information on this Priority Mail Open and Distribute would be helpful in evaluating whether it meets the requirements of PAEA and the Commission's implementing regulations.

⁶ See http://about.usps.com/news/national-releases/2011/pr11_128.pdf.

C. It is not clear if the proposed Parcel Select price adjustment will enable Parcel Select to cover its costs in FY 2012

The supporting documentation filed by the Postal Service with its Notice does not demonstrate that Parcel Select will cover its costs in FY 2012. The supporting documentation indicates that the addition of Lightweight Parcel Select causes Parcel Select to not cover its costs in FY2012. In Docket No. MC2010-36 the Postal Service requested to transfer a portion of market dominant Standard Mail Parcels to competitive Parcel Select. In Order No. 689⁷ the Commission said,

The PAEA requires each competitive product to cover its attributable costs at the time of transfer. The record in this and the previous exigent rate proceeding clearly demonstrate current rates for the Standard Mail Parcels being transferred do not recover their attributable costs. The Commission will authorize the transfer subject to the following conditions: (1) the Postal Service files a notice of competitive price adjustment for Parcel Select rates, including Lightweight Parcel Select parcels, that demonstrates such rates satisfy 39 U.S.C. 3633(a) and 39 CFR part 3015; (2) the Commission issues an order finding that the Parcel Select rates in (1) above satisfy 39 U.S.C. 3633(a) and 39 CFR part 3015; and (3) the Standard Mail Parcels transfer authorized by this Order is not effective until the effective date of prices authorized in (b), above.

With the Postal Service's Notice, it filed outputs from two forecasts. The first forecast assumes an October 1, 2011 implementation date and the second assumes a January 22, 2012 implementation date. The Postal Service's first forecast indicates that if the prices for Parcel Select were implemented on October 1, 2011, Parcel Select (including the Lightweight Parcel Select price category) is likely to cover its costs. But,

⁷ Docket No. MC2010-36, Order Conditionally Granting Request to Transfer Commercial Standard Mail Parcels to the Competitive Product List, March 2, 2011 (Order No. 689).

the second forecast indicates that if the Parcel Select prices (including the Lightweight Parcel Select price category) prices are implemented January 22, 2012, Parcel Select is unlikely to cover its costs. Since the actual implementation date of the prices is January 22, 2012, it is necessary to rely on the second forecast, which shows Parcel Select does not cover its FY2012 costs.

It is important to note that the Postal Service's forecast may be based on a faulty assumption. It appears (although not explicitly stated) that the Postal Service's forecast is based on the assumption that Lightweight Parcel Select will be part of the Parcel Select product for all of FY 2012. Since the earliest Lightweight Parcel Select can go into effect is January 22, 2012, this assumption could potentially affect the outcomes of the forecasts. Lightweight Parcel Select revenues and costs incurred between October 1, 2011 and January 21, 2012 should be assigned to the market dominant Standard Mail Parcel product, not included in the competitive Parcel Select product.⁸ The USPS's implicit assumption likely has a large negative impact on the overall cost coverage of Parcel Select in FY 2012.

The Postal Service has failed to demonstrate that the requirements of 39 U.S.C. 3633(a)(2) and Order No. 689 are met. Order No. 689 clearly states that the Postal Service must demonstrate compliance with 39 U.S.C. 3633(a), and the Postal Service has not yet met that requirement. Therefore, the Public Representative urges the Commission to require the Postal Service to file an analysis that demonstrates that the requirements of 3633(a)(2) and Order No. 689 are met. Until the Postal Service files sufficient information to ensure these requirements are met the Commission should not approve the addition/transfer of Lightweight Parcel Select to Parcel Select.

⁸ If the Commission approves the transfer, and Lightweight Parcel Select is added to the Parcel Select product, there may be implications in the FY 2012 ACR/D. Volumes, revenues and costs from October 1, 2011-January 22, 2012 should be assigned to market dominant Standard Mail Parcels. The Postal Service should ensure that volumes, revenues and costs are reported correctly. If volumes, revenues and costs are not recorded properly, the FY 2012 data could indicate that the entire Parcel Select product is under water, when in reality the cost coverage is adequate.

III. CONCLUSION

The Commission should require the Postal Service to clarify the issues discussed in these comments. Most importantly, the Postal Service has not provided sufficient information to ensure Parcel Select will comply with 39 U.S.C. 3633(a)(2) in FY 2012. Further, as discussed in these comments, the Public Representative has discovered several instances where the Postal Service's filing lacks necessary information and prevents a comprehensive review of the price adjustments and classification changes proposed. The Postal Service should clarify its Notice to ensure all pricing and classification proposals have adequate supporting information to ensure a speedy review by stakeholders, the public and the Commission.

Respectfully Submitted,

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